

Message Text

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13

ACTION EB-03

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-01 OPIC-02 SP-02

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 7436

UNCLAS BANGKOK 16126

E.O. 11652: N/A

TAGS: EINV

SUBJ: MAGAZINE ARTICLE PORTRAYS 1974 AS BANNER

YEAR FOR INVESTMENT IN THAILAND

1. AUGUST-SEPTEMBER ISSUE OF "BUSINESS REVIEW", WHICH IS PUBLISHED BY ENGLISH LANGUAGE "NATION", CARRIES COVER STORY ON 1974 AS A BANNER YEAR FOR FOREIGN INVESTMENT IN THAILAND.

2. ONE SET OF STATISTICS THAT IS USED TO BOLSTER THE PICTURE OF AN INVESTMENT BOOM IS COMPOSED OF FOREIGN EXCHANGE EARNINGS OBTAINED FROM NEW FOREIGN INVESTMENTS. EMBASSY HAS VERIFIED THAT FIGURES CITED WERE NOT OBTAINED FROM THE BANK OF THAILAND WHICH MONITORS CAPITAL MOVEMENTS NOR DID THE WRITER CONTACT BANK OF THAILAND ECONOMISTS WHO WORK ON CAPITAL FLOWS. WHILE THE BANK OF THAILAND'S BALANCE OF PAYMENTS ACCOUNT LINE ITEM, "DIRECT INVESTMENT", DOES SHOW A LARGE INCREASE IN THE FIRST HALF OF 1974, SOME 80 PERCENT OF THIS AMOUNT IS ACCOUNTED FOR BY LOANS FROM FINANCIAL INSTITUTIONS TO LOCAL ASSOCIATES (FOR EXAMPLE, BANKERS TRUST TO THAI INVESTMENT AND SECURITIES COMPANY). THE REASON FOR THE LARGE INFLOW OF LOANS WAS THE VERY TIGHT MONEY SITUATION IN THAILAND DURING THE FIRST HALF, WHICH LED LOCAL FINANCIAL INSTITUTIONS TO BORROW ABROAD.

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3. THE PRINCIPAL SOURCE GIVEN FOR THE ARTICLE WAS THE BOARD OF INVESTMENT. THE WRITER WAS SELECTIVE IN THIS USE OF STATISTICS, EMPHASIZING AN INCREASE IN PROMOTIONAL PROJECTS APPROVED BY BOI AND DEEMPHASIZING A DECLINE IN APPLICATIONS FOR NEW PROMOTIONAL CERTIFICATES. ALTHOUGH "BUSINESS REVIEW" HAS NO AXE TO GRIND AS FAR AS THE EMBASSY KNOWS, THE ARTICLE IS LITTLE MORE THAN PROMOTIONAL MATERIAL FOR THE BOARD OF INVESTMENT. IT MAY HAVE BEEN AN ATTEMPT TO COUNTER THE MANY RECENT ARTICLES PORTRAYING AN ADVERSE INVESTMENT CLIMATE IN THAILAND.

4. THE EMBASSY'S CURRENT VIEWS ON THE INVESTMENT CLIMATE ARE CONTAINED IN THE "ECONOMIC TRENDS" REPORT JUST POUCHED TO WASHINGTON. ADDITIONAL VIEWS AND DETAILS ARE INCLUDED IN EMBASSY'S A-274.
MASTERS

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